

# JANUARY PRICE DEVELOPMENTS FEBRUARY 5, 2013

## SUMMARY...

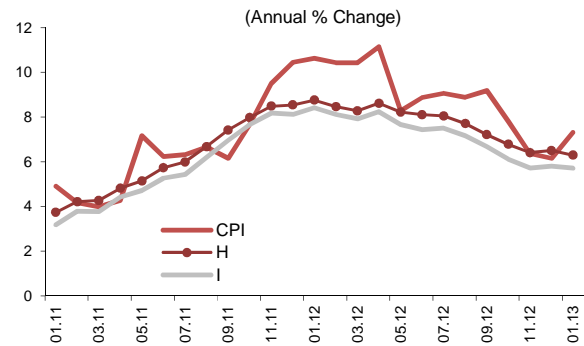
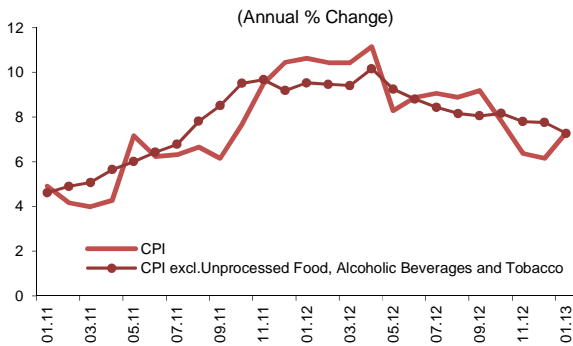
In January, consumer prices were up by 1.65 percent and annual inflation rose to 7.31 percent. This is attributed to the tax adjustments on tobacco products besides the rise in unprocessed food prices as also envisaged in the Summary of the Monetary Policy Committee Meeting. Meanwhile, core inflation indicators and prices of services remained on a relatively mild track.

## ...EVALUATIONS...

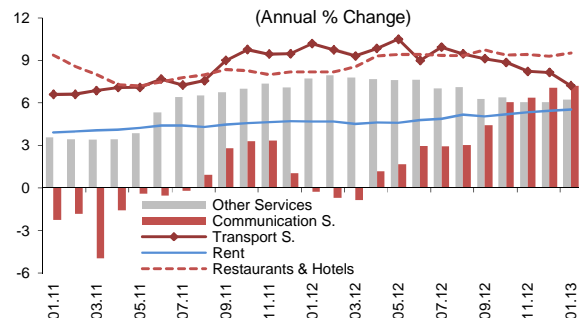
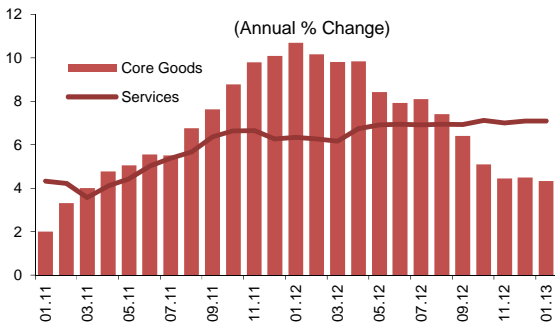
In January, consumer prices were up by 1.65 percent and annual inflation rose to 7.31 percent. The rate of increase in the CPI excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) decreased to 6.29 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) went down to 5.72 percent year-on-year.

Contribution to the annual CPI inflation displayed a month-on-month increase in food and alcohol-tobacco groups; whereas it decreased in energy and core goods groups and did not exhibit a noticeable change in the services group. Amid the tax adjustment in early January, (relative SCT rate was raised from 65 percent to 65.25 percent, and lump-sum SCT per cartoon was set as TL 0.09) cigarette prices surged by 15.1 percent. Thus, the prices of tobacco and food products became the main driver of the rise in consumer inflation. Contributions of these two groups to inflation recorded a month-on-month increase by 1.48 percentage points.

In the context of the chain index, products included in the index alongside their relative shares are updated. Accordingly, the share of food and non-alcoholic beverages group within the index decreased, while that of services and core goods increased in 2013.



In January, while prices of services went up by 0.95 percent, the group's annual inflation remained flat on a monthly basis. Annual inflation rates in subgroups of services excluding transport edged up. Meanwhile, the diffusion index and the upward trend in the seasonally-adjusted prices of services edged down, implying that the mild course in the prices of services continued.

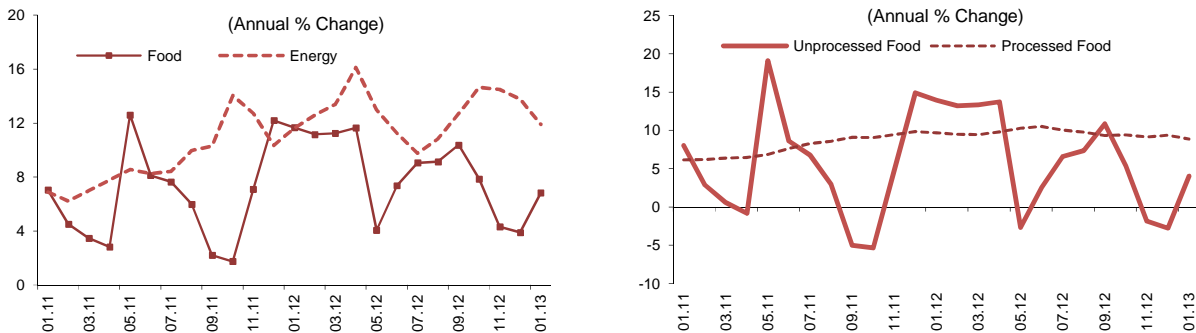


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As for the core goods group, inflation continued with a downward course and stood at 4.32 percent in January. Seasonal discounts in the clothing group were below those of the previous year in January as well as in December. Thus, the annual inflation in the clothing group, which reached 9.3 percent, continued to affect core inflation indicators negatively. As for the sub-items excluding clothing, the downward trend was maintained. Prices of durable goods, which remained on a mild track, went below the levels of January 2012. The slowdown in the annual rate of increase in core goods prices excluding clothing and durable goods continued in January.



In January, energy prices went up by 0.50 percent on account of the rising municipal water tariffs (4.33 percent). As opposed to the rise in diesel oil and gasoline prices, LPG prices receded, resulting in a decline in fuel prices in this period. Consequently, the group's annual inflation fell by 1.89 percentage points to 11.90 percent due to the high base.



Annual inflation in food and non-alcoholic beverages group increased by around 3 percentage points to 6.85 percent due to unprocessed food prices. In contrast to this, monthly rate of increase of processed food prices lost pace. Seasonally adjusted unprocessed food prices surged by 5.1 percent, which was mainly driven by vegetable prices. The highest month-on-month January increase in the index history was recorded in vegetable prices with 21.4 percent. This period saw a monthly decline in producer prices of crops, vegetables and fruits, in contrast to the upsurge in the prices of fresh fruits and vegetables offered to the consumer, indicating a widened gap between producer and consumer inflation in this sector.

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High-rated monthly price increases in the processed food group in the last four months were replaced by a moderate increase in January with 0.58 percent. In line with the upward course of domestic wheat prices, price increases in bread and cereals group continued, while the rate of price increases in processed food products excluding bread and cereals decreased. Consequently, annual processed food inflation went down to 8.85 percent.

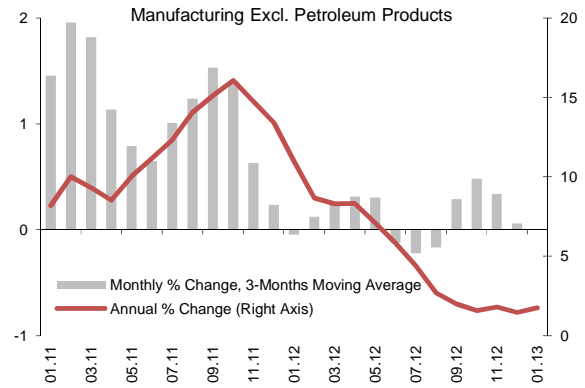
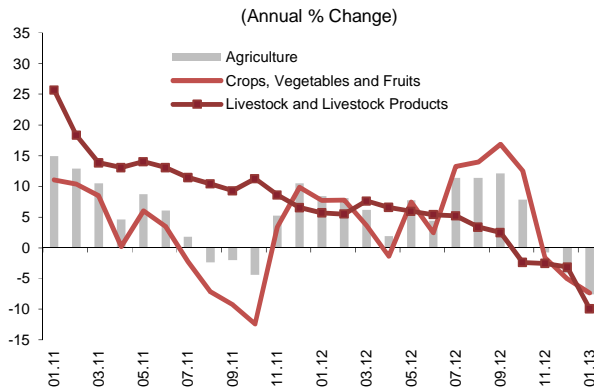
	Monthly Percent Change		Annual Percent Change	
	Jan. 2013	Jan.2012	Jan. 2013	Jan.2012
<b>CPI</b>	<b>1.65</b>	<b>0.56</b>	<b>7.31</b>	<b>10.61</b>
<b>1. Goods</b>	<b>1.91</b>	<b>0.43</b>	<b>7.39</b>	<b>12.17</b>
Energy	0.50	2.19	11.90	11.62
Food and nonalcoholic beverages	4.00	1.13	6.85	11.67
Unprocessed food	8.30	1.21	4.03	13.92
Fresh fruits and vegetables	19.69	2.88	8.44	21.59
Other unprocessed food	0.55	-0.07	0.93	8.41
Processed food	0.58	1.06	8.85	9.66
Bread and cereals	0.90	1.59	11.32	8.08
Other processed food	0.39	0.75	7.39	10.52
Goods excluding energy and food	1.04	-0.94	5.86	12.88
Core goods	-1.28	-1.12	4.32	10.70
Durable goods	0.49	1.42	-0.89	14.89
Durable goods (excluding gold)	0.64	1.58	-0.75	12.78
Alcoholic beverages and tobacco	14.26	0.02	15.35	18.53
Gold	-1.85	-1.57	-3.00	41.92
<b>2. Services</b>	<b>0.95</b>	<b>0.94</b>	<b>7.10</b>	<b>6.33</b>
Rents	0.42	0.35	5.54	4.69
Restaurants and hotels	0.95	0.75	9.52	8.19
Transport	0.86	1.74	7.22	10.20
Communication	0.14	0.00	7.22	-0.25
Other*	1.74	1.55	6.25	7.73
<b>3. Core Measures</b>				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.05	0.50	7.27	9.53
SCA-H	-0.04	0.15	6.29	8.76
SCA-I	-0.17	-0.08	5.72	8.42

Source: TurkStat, CBRT.  
\*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

## ...PPI...

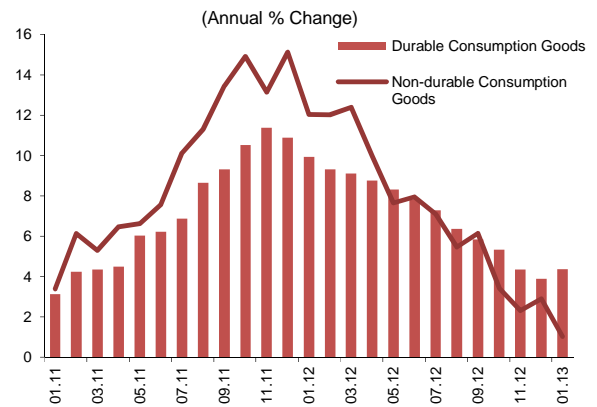
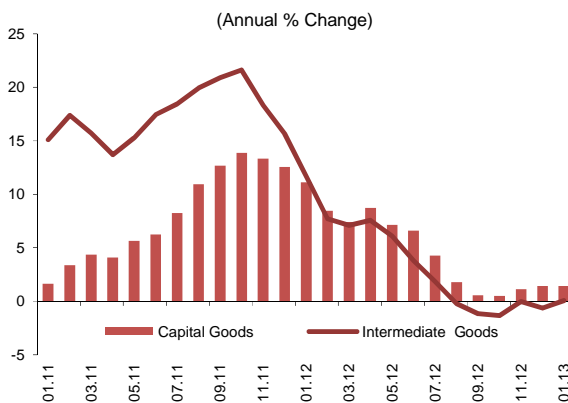
In January, producer prices fell by 0.18 percent owing to the developments in agricultural prices, and annual inflation went down to 1.88 percent. Seasonally adjusted agricultural prices continued to fall in this period. While prices of crops, vegetables and fruits posted a month-on-month decline by 1.64 percent, the fall in the livestock prices became more evident upon a decline of 7.35 percent. On the other hand, wheat prices maintained the upward trend, and the cumulative increase in this item has climbed to 17.2 percent since May.

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Manufacturing industry prices increased by 0.29 percent in January. Having incessantly decreased for the last eight months, base metal prices went up amid the lagged effects of the developments in international metal prices. Similarly, prices of petroleum products also increased in line with the rising international oil prices. Meanwhile, the manufacturing industry inflation excluding oil and base metal edged up in January.

Main Industrial Groupings (MIGS) suggest that the rise in manufacturing industry prices were restrained by durable goods. In January, prices of durable goods receded upon the decline in the prices of furniture and jewelry. Meanwhile, prices of intermediate goods saw increases particularly due to rise in the prices of sand-clay products, wooden plate and ground cereals. As for the increase in prices of capital goods, price hikes in electrical engines and generators besides motor vehicles and parts of their engines were held responsible. As a result, having increased by 1.46 percent on an annual basis in January, manufacturing industry prices pointed that pressures on consumer prices driven by manufacturing industry have remained on a mild track.



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## ...TABLES

January CPI and Subcategories (Percent Change)					
	Weight	2013		2012	
		Monthly	Annual	Monthly	Annual
CPI	100	1.65	7.31	0.56	10.61
Food and nonalcoholic beverages	24.09	4.00	6.85	1.13	11.67
Alcoholic beverages and tobacco	5.07	14.26	15.35	0.02	18.53
Clothing and footwear	6.83	-6.95	9.27	-7.88	7.84
Housing	16.68	0.70	10.69	1.32	8.99
Household equipment	7.28	1.08	5.37	1.58	11.65
Health	2.22	0.50	2.10	0.09	0.15
Transport	17.99	0.50	3.93	2.06	12.90
Communication	4.64	-0.02	5.88	-0.01	1.24
Recreation and culture	2.95	0.24	1.39	0.83	7.45
Education	1.91	0.10	4.97	-0.05	6.38
Restaurants and hotels	6.18	0.95	9.52	0.75	8.19
Miscellaneous goods and services	4.16	1.71	8.57	1.79	17.63

Source: TurkStat.

January PPI and Subcategories (Percent Change)					
	Weight	2013		2012	
		Monthly	Annual	Monthly	Annual
PPI	100	-0.18	1.88	0.38	11.13
Agriculture	16.34	-2.62	-7.57	0.97	8.44
Crops, fruits and vegetables	10.76	-1.64	-7.32	0.77	7.74
Livestock and animal products	4.87	-6.77	-9.91	0.22	5.69
Industry	83.66	0.29	3.86	0.26	11.71
Mining	3.06	2.77	6.89	1.42	16.77
Manufacturing	72.14	0.29	1.46	0.11	12.08
Manufacturing excluding petroleum	69.53	0.27	1.75	0.00	10.99
Manufacturing excluding petroleum and base metals	62.81	0.26	2.81	-0.05	10.60
Electricity, gas and water	8.46	-0.59	21.61	1.07	6.75

Source: TurkStat, CBRT.

PPI by MIGS (Monthly Percent Change)														
	Jan.12	Feb.12	Mar.12	Apr.12	May.11	Jun.12	Jul.12	Aug.12	Sept.12	Oct.12	Nov.12	Dec.12	Jan.13	Annual
Intermediate goods	-0.16	-1.01	1.04	0.45	-0.02	-0.80	-0.58	0.02	0.64	0.21	-0.30	-0.12	0.55	0.07
Capital goods	0.38	-0.36	0.57	0.21	-0.55	0.17	-0.22	-0.15	0.39	0.51	0.09	0.36	0.40	1.42
Durable goods	0.85	1.70	-0.19	-1.55	-1.21	1.32	-0.08	0.02	2.71	-0.09	-1.44	0.92	-0.97	1.04
Nondurable goods	-0.27	1.06	0.64	0.26	0.56	-0.78	0.40	0.54	0.87	0.76	-0.03	-0.17	0.19	4.38
Energy	1.85	-3.17	0.44	0.59	-0.82	-0.52	-1.98	2.06	1.50	-0.93	18.27	-0.48	0.33	14.67

Source: TurkStat, CBRT.

Price Developments are published within one working day, following the announcement of price statistics by the Turkish Statistical Institute (TurkStat). Price Developments, which include CBRT's initial remarks on the inflation figures of the previous month, aim to contribute to a sounder interpretation of the monthly inflation developments by the public during the period between the announcement of the official price statistics and the Monetary Policy Committee meeting.